

M e m o r a n d u m

To: Panel Members

Date: August 27, 2004

From: Ruby Cohen, Manager

Analyst: R. Hernandez

Subject: ONE-STEP AGREEMENT FOR ITT INDUSTRIES, INC. DBA BIW CONNECTOR
SYSTEMS

CONTRACTOR:

- Training Project Profile: Retraining: Companies W/Out-Of-State Competition
- Legislative Priorities: Promotion of California's Manufacturing Workforce
Moving To A High Performance Workplace
- Type of Industry: Manufacturing
- Repeat Contractor: Yes
- Contractor's Full-Time Employees
 - *Worldwide:* 105
 - *In California:* 100
- ETP Trainees Represented by Union: No
- Name and Local Number of Union Representing ETP Trainees: N/A

CONTRACT:

- Program Costs: \$40,326
- Substantial Contribution: \$0
- Total ETP Funding: \$40,326
- Total In-kind Contribution: \$100,000
 - *Trainee Wages Paid During Training:* \$80,000
 - *Other Contributions:* \$20,000
- Reimbursement Method: Fixed-Fee
- County(ies) Served: Sonoma

INTRODUCTION:

Founded in 1950, BIW Connector Systems manufactures electrical connectors for use with electric submersible pumps in oil wells, electrical connectors for aircraft ground support, connectors for railroad systems, and connectors for underwater, shipboard, and military applications. In 2001, BIW Connector Systems, LLC was purchased by ITT Industries, Inc., of White Plains, New York. According to the applicant, the new entity, ITT Industries, Inc., d.b.a. BIW Connector Systems operates as an independent division of ITT Industries. BIW is a stand-alone entity which reports financial results separately to ITT Industries, Cannon division. BIW Connector Systems has a President, a sales organization, a manufacturing facility and maintains separate accounting, inventory, engineering, production, purchasing and quality departments which handle all transactions and requirements for the Company.

BIW Connector Systems qualifies for standard ETP funding as a manufacturing company facing out-of-state competition under Title 22, California Code of Regulations, Section 4416(b). The Company qualifies as a California manufacturer promoting the retention of its frontline workers and improving the performance of its workplace. This project proposes to train 94 employees to support new project initiatives, manage projects efficiently, reduce costs and lead times, increase manufacturing capability, satisfy customer requirements, and remain competitive.

MEETING ETP GOALS AND OBJECTIVES:

BIW Connector Systems proposes training that will further the following ETP goals and objectives:

- 1) This training is targeted toward assisting the Company in its move to a high performance workplace, which meets ETP's legislative funding priority to support companies moving to a high performance workplace.
- 2) The proposed training is targeted toward assisting the Company in promoting the retention of its manufacturing workforce and meets ETP's legislative funding priority.

TRAINING PLAN TABLE:

Grp/Trainee Type	Types Of Training	No. Retain	No. Class/Lab Videocnf. Hrs.	No. CBT Hrs.	Cost Per Trainee	Hourly Wage After 90 Days
Job 1 Retraitees	Menu: Advanced Technology Continuous Improvement Business Skills Computer Skills Manufacturing Skills	94	24 -88	0	\$429	\$12.00 - \$48.75
					<u>Prevalent Hourly Wage</u> \$12.00	
					<u>Average Cost Per Trainee</u> \$429	
<u>Health Benefits Used To Meet ETP Minimum Wage:</u> Although the employer pays health benefits for its employees, the hourly contribution is not being used to meet ETP's minimum wage.					<u>Turnover Rate</u> 16.2%	<u>% Of Mgrs & Supervisors To Be Trained:</u> 4%
<u>Other Employee Benefits:</u> Paid vacation (1 week minimum), 10 paid holidays per year, Paid sick leave, Bereavement leave, Maternity leave, 401K Program with employer contribution, Life Insurance						

COMMENTS / ISSUES:

➤ *Frontline Workers*

All participants in this project meet the Panel definition of frontline workers under Title 22 California Code of Regulations, Section 4400(ee), except four managers which constitutes 4 percent of the total trainees.

➤ *Production During Training*

The proposed Contractor agrees that during ETP-funded training hours, trainees will not produce products or provide services which will ultimately be sold.

➤ *Substantial Contribution/Repeat Contractor*

Although this is the third project at the Santa Rosa facility, BIW Connector Systems is not subject to a substantial contribution because it has not benefited directly or indirectly from Panel funding in the amount of \$250,000 or more.

Company officials certify that the proposed training is new. The new Pro/ENGINEER training is necessary to transition from two dimension to three dimension drawings. The manufacturing capacity planning will replace the antiquated MRP program and employees will learn new skills to manage projects. Trainees will also learn new manufacturing capacity planning software. This new training will improve processes, reduce lead times, and increase manufacturing capacity.

PROPOSED ACTION:

Staff recommends that the Panel (1) approve the use of the Advanced Technology reimbursement rate for a portion of the training; and (2) approve this Agreement if funding is available and the project meets the Panel priorities.

NARRATIVE:

According to Company representatives, BIW Connector Systems has been able to survive the recent economic downturn and for the last five months sales have increased steadily at a double digit rate. However, during the downturn 11 jobs were lost or unfilled due to lower than expected sales. Officials of BIW are confident that the continuous improvement and teamwork skills gained from the previous ETP-funded training helped the Company come through the economic downturn. This will be the third ETP-funded Agreement with BIW Connector Systems.

Company officials report that the prior Agreement included the following topics: 7 Habits of Highly Effective People, Advanced Kaizen, Quality Processes Analysis, Understanding ISO Regulations, Profit and Cash Financial Training, Advance People Skills, Understanding JobScope Management Resource Planning (MRP) software, Intermediate Word and Excel, Pro Engineer-Thee Dimensional Drawing, Supervising to Achieve Results, and Basic Manufacturing

NARRATIVE: (continued)

skills (blue print reading, weights and measures, military specification, and connector manufacture cross-training). This training provided the skills to transition into cohesive teams, improve communication, and solve problems. Although the prior Agreement included training to transition from two dimensional to three dimensional training, economic conditions did not provide the Company the resources necessary to purchase the hardware upgrades and software licenses, and therefore the Pro/ENGINEER training was not provided.

This training program will focus on improving manufacturing technical skills because employees must improve manufacturing efficiencies and capacity planning, reduce lead times, learn manufacturing variance reduction techniques, and must be able to standardize manufacturing processes. It is vital for the Company to improve the manufacturing capacity planning and reporting to reduce lead times and increase output. Manufacturing lead time must be reduced from 6-8 weeks down to 4 weeks to match and/or exceed the competition in Texas and Europe.

Company officials assert this training is necessary for the Company's planned expansion. Currently, the strategic goal is to expand the design and manufacture of its power connectors. In order to accomplish this goal, employees must improve their technical skills in both design and manufacture. Therefore, the Company requests ETP funding to implement the following training:

Continuous Improvement training will provide employees with the skills to implement manufacturing capacity planning, cycle time reduction, process improvement techniques, Ishikawa Tools for problem solving, and Just-in-Time processes. The manufacturing capacity planning training will replace the antiquated MRP program. Employees must learn how capacity planning works and how to improve the manufacturing process. All employees will receive training to improve processes, reduce lead times and/or increase manufacturing capacity.

Business Skills training will include the following: effectively manage projects, presentation and meeting skills, negotiating skills, resolving customer complaints, and organizing and planning to achieve strategic goals. All employees will receive this training to set timelines, conduct or effectively participate in meetings, negotiate, address complaints, and/or organize and plan to meet goals.

Computer Skills training will provide trainees with the skills to use manufacturing capacity planning software and Microsoft Access and effectively manage projects with Microsoft Project. Computer skills training will be provided to warehouse and stockroom plant associates, supervisors, leads, managers, material control workers, clerks, technicians, engineers, and drafters.

Advanced Technology (AT) training will include Pro/ENGINEER new 3D modeling software and increase use of new skills. The Pro/ENGINEER computer assisted design software training will be provided to five engineers and two designers and will enable the users to create virtual prototypes complete with dimensions, parameters, surface area, and mass properties.

Staff has reviewed the curriculum and ancillary information and determined that it meets the Panel's definition of AT training. Panel staff recommends that BIW Connector Systems receive the AT reimbursement rate for this training based on the high vendor costs (\$47 per hour), the

NARRATIVE: (continued)

occupations and wages of trainees to receive AT training, and a trainer-to-trainee ratio of 1:10. BIW Connector Systems will pay the non-funded portion of the training.

Manufacturing Skills training will include manufacturing technical skills and variance reduction techniques. Manufacturing plant associates, machine shop associates, material control workers, quality technicians, leads, and supervisors will receive this training in order to improve manufacturing technical skills and learn to standardize manufacturing processes.

BIW Connector Systems staff will provide contract administration. Training will be provided by in-house staff and subcontractors to be determined. Advanced Technology training will be provided by the Pro/ENGINEER software vendor.

Supplemental Nature of Training

State law requires that ETP funds be used to supplement, rather than displace, funds available through existing programs conducted by employers and government-funded programs.

BIW Connector Systems is committed to training its employees. Company officials certify that it provides an average of 40+ hours of training per employee annually. Each year approximately 700 required ISO training hours are provided and all employees are included in the Quality Training Plan. All employees are included in the Company Safety Training Plan and various employees receive 2-4 hours of State required safety training. New employees receive 20-32 hours of New Employee Orientation.

On-going and future training courses include The 7 Habits of Highly Effective People, People Skills, Teambuilding Skills, and Continuous Improvement Principles. These courses were previously funded by ETP. Additionally, employees may receive an on-line Value Based Six Sigma course for Green Belts. Green Belt certification is received after an employee completes a 40-hour on-line course, a real-life company cost saving or process streamlining project, and a formal Green Belt Project Report demonstrating use of the skills learned in the on-line course in the execution of the Company project. The Company will also fund the non-ETP funded AT training for approximately \$10,000.

Finally, training is provided to employees to stimulate growth and provide needed skills. A tuition reimbursement program is offered for job related courses such as management and supervisory certificates through the Sonoma State University Extended Education program. BIW Connector Systems plans to spend approximately \$120,000 in non-ETP funded training.

The applicant certifies that the ETP proposed training is new and has not been provided in the past. BIW Connector Systems officials state that with ETP assistance the Company will be able to strengthen the core technical capabilities of its employees, satisfy customer requirements, and position the Company for future growth and expansion.

SUBCONTRACTORS:

To Be Determined.

THIRD PARTY SERVICES:

Consultants have not or will not be used to provide services.

PRIOR PROJECTS:

The following are completed project statistics for ETP Agreements with this Contractor within the last five years:

PRIOR PROJECTS					
Agreement Number	Location (City)	Term	% Earned	<i>Planned In-kind Contribution</i>	<i>Reported In-kind Contribution</i>
ET00-0157	Santa Rosa	11/08/99 - 11/07/01	\$79,455 79%	\$100,000	\$120,000
ET02-0222	Santa Rosa	01/07/02 – 01/06/04	\$56,758 75%	\$270,000	\$250,000

ACTIVE PROJECTS: N/A

BIW CONNECTOR SYSTEMS

MENU CURRICULUM

Class/Lab Hours
24-88

Trainees will receive any of the following Types of Training:

CONTINUOUS IMPROVEMENT

- Manufacturing Capacity Planning
- Cycle Time Reduction
- Process Improvement Techniques
- Problem Solving Tools (Ishikawa Tools)
- Just In Time Processes (JIT)

BUSINESS SKILLS

- Project Management
- Presentation & Meeting Skills
- Negotiating Skill
- Resolving Customer Complaints
- Organizing and Planning to Achieve Strategic Goals

COMPUTER SKILLS

- Manufacturing Capacity Planning Software
- Microsoft Access
- Microsoft Project

ADVANCED TECHNOLOGY

- Pro/ENGINEER – New 3D modeling software
 - Introduction to Pro/ENGINEER
 - Drawings and Drawing Templates
 - Principles of Top-Down Design
 - Modeling Philosophy
- Pro/ENGINEER - Increase use of new skills
 - Creating Production Drawings
 - Drawing for Designers
 - Managing Assemblies

MANUFACTURING SKILLS

- Manufacturing Technical Skills
- Variance Reduction Techniques
 - Standardization of Manufacturing Process